MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DMG5024 – MANAGEMENT ACCOUNTING 2

(All sections / Groups)

5 MARCH 2020
2.30 p.m. to 5.30 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 5 Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Jengka Manufacturing produces and sells a component used in heavy machinery. The company has the capacity to produce 15,000 units in a year. Currently Jengka Manufacturing is producing 12,000 units of the components annually.

The costs of producing and selling 12,000 units of components are as follows:

Direct materials	RM84,000
Direct labour	180,000
Variable overhead	48,000
Fixed overhead	60,000
Total costs	**RM372,000**
Cost per unit	**RM31**

Jengka Manufacturing also incurs selling expenses of RM5 per unit of component. The company sells the components in the local market for RM46 each.

Required

Answer each of the following independent questions:

(a) Jengka Manufacturing received an order for 1,000 units from a new customer in Jakarta. This customer has offered to pay RM35 for each component. If accepted, Jengka will incur no selling expenses for this order except for shipping costs of RM2.50 per unit. Should the company accept this special order?

(7.5 marks)

(b) Jengka Manufacturing received an offer from an outside supplier to manufacture the same quality components for RM28 per unit. The company is considering if they should continue making the components or purchasing from the outside supplier.

(i) One-third of its fixed overhead can be eliminated if the components were purchased from the outside supplier. Should Jengka make or buy the components? (8 marks)

(ii) Would the decision in (i) be different if Jengka Manufacturing has the opportunity to produce RM15,000 net income with the facilities currently being used to manufacture the components? (3.5 marks)

(iii) State **ONE (1)** qualitative factor that should be considered in a make-or-buy decision. (1 mark)

(Total: 20 marks)

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QUESTION 2

Mentari Suria Sdn. Bhd. wants to set the selling price on a product that has just undergone some design modifications. The Accounting Department has provided the cost information at a budgeted volume of 100,000 units for the redesigned product as shown below:

	Per Unit	Total
Direct materials	RM40	
Direct labour	33	
Variable manufacturing overhead	15	
Fixed manufacturing overhead		RM2,200,000
Variable selling & administrative expenses	10	
Fixed selling & administrative expenses		1,200,000

The company uses cost-plus pricing that provides it with a 30% ROI on this redesigned product. An investment of RM5,600,000 in assets is committed to production of it.

Required

(a) Compute each of the following under the **full-cost** approach:
   (i) Markup percentage needed to provide the desired ROI. (8.5 marks)
   (ii) Target selling price per unit. (2 marks)

(b) Assume Mentari Suria wishes to increase its ROI to 40%, compute each of the following under the **variable-cost** approach:
   (i) Markup percentage needed to provide the new desired ROI. (5.5 marks)
   (ii) Target selling price per unit. (2 marks)

(c) Assume the company uses absorption-costing instead, identify the costs which will be included in the cost base to calculate the target selling price. (2 marks)

(Total: 20 marks)

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QUESTION 3

Part A

Eric, the owner of PDK Plastics is interested in using the step-down method to allocate the company's service department costs to operating departments. The following data from operations were collected for analysis:

	Service Departments		Operating Departments	
	Maintenance	Personnel	Blending	Packaging
Departmental costs before allocation	RM250,000	RM120,000	RM200,000	RM260,000
Maintenance hours	-	600	1,500	900
Number of employees	30	-	115	85

PDK Plastics allocates Maintenance costs first on the basis of maintenance hours and then Personnel costs on the basis of number of employees.

Required

(a) Using the step-down method, allocate the service department costs to the operating departments. (6 marks)

(b) If the company had used the direct method instead, calculate the Personnel costs allocated to Blending Department and Packaging Department. (2 marks)

Part B

Jean Manufacturing produces two products, Jay and Joy from a common process. In one production cycle, 350kg of Jay and 650kg of Joy are produced at the joint cost of RM15,000.

Jay can be sold at split-off point for RM22 per kg, and Joy for RM15 per kg. Jean Manufacturing has the option of processing Jay further into Jayful for an additional cost of RM1,530; and Joy into Joyful for an additional cost of RM2,270 *(without gain or loss in volume)*. Both products can be sold for RM36 per kg and RM28 per kg respectively.

Required

(a) Allocate the joint costs between both products using:
   (i) physical measure method (3.5 marks)
   (ii) net realisable value method (6 marks)

(b) Calculate the production cost per kg for Jayful under the net realisable value method. Round up your answer to the nearest sen. (2.5 marks)

(Total: 20 marks)

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QUESTION 4

The accountant of G-Sonick Industries provided the following data for preparation of the company's master budget for 2020:

Sales unit	**Q1**: 3,300; **Q2**: 4,100; **Q3**: 5,500; **Q4**: 6,000
Selling price per unit	**Q1**: RM50; **Q2**: increase 30%;
Q3 production requirement	14,000 kg
Raw materials required	2.5 kg to make each unit of finished goods
Cost of raw materials purchase	RM4 per kg
Desired ending raw materials inventory	30% of next quarter's production requirement
Desired ending finished goods inventory	20% of next quarter's expected sales units
Direct labour required	1.5 hour to make each unit of finished goods
Direct labour cost	RM11.50 per hour

Required

Prepare the following budgets by quarters for the six-month period ended 30 June 2020:

(a) Sales budget. (4 marks)

(b) Production budget. (4.5 marks)

(c) Direct materials budget. (8 marks)

(d) Direct labour budget. (3.5 marks)

(Total: 20 marks)

QUESTION 5

Part A

SubSung Manufacturing produces a premium product, JS77. The company has been charging overhead to products based on machine hours. However, under the new accountant's recommendation, the management is considering adopting activity-based costing. Below is related information compiled by its accountant:

Activity Cost Pools	Cost Drivers	Expected Use of Cost Drivers	Estimated Overhead
Purchasing	Number of orders	1,350	RM103,950
Machine setups	Number of setups	2,500	130,000
Packaging	Labour hours	80,000	640,000
Storage	Square feet occupied	200,000	600,000

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The company has received an order for 1,000 units of JS77. The total cost estimates and usage of cost drivers for the order are: Direct materials RM54,000; Direct labour RM41,000; 120 purchase orders; 200 machine setups; 800 labour hours and 500 square feet occupied.

Required

(a) Compute the overhead rates using the activity-based approach. (6 marks)

(b) Compute the manufacturing cost for each unit of JS77. (4 marks)

Part B

Geo G Manufacturing provided the following information about its standard costing system for 2020.

Standard Data	
• Materials	5 liters @ RM10 per liter
• Labour	2 hours @ RM15 per hour
• Budgeted production	8,000 units

Actual Data	
• Materials purchased	41,000 liters for RM418,200
• Materials used	37,660 liters
• Labour worked	16,000 hours costing RM238,400
• Production	7,800 units

Required

(a) Calculate the material price variance. (2.5 marks)

(b) Calculate the material quantity variance. (2.5 marks)

(c) Calculate the labour price variance. (2.5 marks)

(d) Calculate the labour quantity variance. (2.5 marks)

(Total: 20 marks)

End of Paper